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# CURRENT INTELLIGENCE WEEKLY SUMMARY

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**T H E   W E E K   I N   B R I E F****PART I****OF IMMEDIATE INTEREST**

**ARAB REACTION TO EGYPT'S  
RECOGNITION OF COMMUNIST CHINA . . . . .** Page 1

Official Arab reaction to Egypt's recognition of Communist China has been mixed and suggests that the other Arab states, with the possible exception of Syria, will not immediately follow Egypt's lead. Arab public reaction, however, has been generally favorable. [ ] 25X1

**ARAB-ISRAELI SITUATION . . . . .** Page 2

Several reports suggesting that Egypt may be preparing to lead the Arab states in a new attempt to negotiate with Israel lend some slight substance to new optimism voiced by UN secretary general Hammarskjold. There has been no relaxation, however, in the military preparedness maintained by each side. [ ] 25X1

**LAOS . . . . .** Page 4

Communist diplomatic activity with respect to Laos, designed to exclude Western influence from that country in return for settlement of the Pathet Lao issue, is making headway. Laotian premier Souvanna Phouma is strongly attracted to the idea of arranging private talks with Pathet Lao leader Prince Souphannouvong, his half-brother, in the hope of reaching a settlement. [ ] 25X1

**PART II****NOTES AND COMMENTS**

**SOVIET-FRENCH TALKS . . . . .** Page 1

The Soviet-French talks which ended in Moscow on 19 May were marked by lack of agreement on important issues. The Soviet leaders followed rigidly their standard lines and did not seek to exploit French differences with the West. The French reaffirmed their loyalty to NATO and adhered to agreed Western positions on the issues discussed. Nevertheless, Paris and Moscow will probably continue efforts to improve their relations. [ ]

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**SOVIET-JAPANESE RELATIONS . . . . . Page 2**

The generally favorable popular reaction to the Japanese-Soviet fishery pacts will have the effect of encouraging the Hatoyama government to establish normal relations with the USSR. In addition, Soviet insistence on official negotiations in Tokyo to carry out the provisional agreement for the present fishing season may put pressure on Japan to consider a prompt exchange of ambassadors, without a formal treaty. [REDACTED]

25X1

**SOVIET WITHDRAWALS FROM GERMANY . . . . . Page 4**

In an effort to keep Soviet disarmament proposals in the public eye, the East Germans announced the beginning of Soviet troop and air unit withdrawals from East Germany within a week after the USSR stated that it would reduce its forces by 1,200,000 men, including 30,000 from East Germany. [REDACTED]

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**DISCONTENT IN CZECH COMMUNIST PARTY . . . . . Page 4**

Czech Communist Party intellectuals and provincial leaders, taking advantage of confusion and uncertainty, are reportedly demanding the dismissal of most members of the present politburo. Open discontent has not been quieted by the removal of Defense Minister Cepicka, and may lead the regime to undertake further dismissals, particularly among those who can be closely identified with Stalinist policies. The position of the ruling triumvirate appears relatively stable. [REDACTED]

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**YUGOSLAVIA INCREASES EFFORTS TO INFLUENCE ALBANIA . . . . . Page 5**

Recent shifts among Yugoslav officials concerned with Albanian affairs and indirect criticism of Albanian premier Shehu in the Yugoslav press indicate a heightening of Belgrade's interest in Albania. Developments at the current Third Albanian Party Congress should provide some indication as to the future course of Yugoslav-Albanian relations. [REDACTED]

25X1

**SOVIET APPROACHES TO TURKEY . . . . . Page 7**

Turkish leaders continue to view persistent Soviet offers of "unconditional" economic aid with considerable suspicion. In the event of a further worsening of Turkey's critical economic situation, however, the Turkish government may feel the need for reappraising its economic relations with the Soviet Union. [REDACTED]

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**EGYPT MAY RECONSIDER USSR OFFER  
TO BUILD ASWAN HIGH DAM . . . . .**

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Moscow is reported to have renewed on 17 May its offer to Egypt to construct the Aswan High Dam. The new offer presumably was timed to exploit any apprehension Cairo may have felt that in view of its recognition of Communist China, Western financing arrangements might fall through. The Nasr regime may give serious consideration to the new Soviet offer. [REDACTED]

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**EAST GERMANY SEEKS CLOSER TIES  
WITH NEAR EAST AND AFRICA . . . . .**

Page 9

The East German government has recently stepped up its efforts to establish closer economic ties with countries in the Near East and Africa. These efforts may eventually result in diplomatic recognition of East Germany by the Sudan, Syria, Egypt, and Lebanon.

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**BRITISH SEEK FEDERATION  
OF ALL SOMALI TERRITORIES . . . . .**

Page 10

Britain is trying to promote a union under paramount British influence of all the Somali territories of eastern Africa despite the initial opposition of Ethiopia, France, and Italy as the other powers involved. The governor of British Somaliland is soon to make the first public move in this direction. Britain's plan is to re-ensure its strategic position in this area and to acquire more effective means to counter Egyptian, Saudi, and possibly Soviet influence there in the long run.

**THE CYPRUS SITUATION . . . . .**

Page 12

The situation in Greece and Cyprus continues to be dominated by repercussions of the executive on 10 May of two Cypriot terrorists. The British have imposed complete curfews in some parts of Cyprus, but outbreaks of violence and student demonstrations have increased sharply. [REDACTED]

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**JORDAN . . . . .**

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The new Jordanian cabinet of Said al-Mufti shows signs of leading the country toward greater nationalism and away from its special relations with Britain.

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**PAKISTAN . . . . . Page 12**

Pakistan's seven-week-old political crisis remains unresolved. The parties supported by President Mirza have apparently won a struggle with the Moslem League in the West Pakistan Assembly but lost in the East Pakistan legislature. The turmoil in the provinces has delayed a decision on changes in the central leadership, and it appears possible that Prime Minister Chaudhri Mohammad Ali's trip to Communist China may again be delayed. [REDACTED]

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**SINGAPORE . . . . . Page 14**

The breakdown of the Singapore self-government talks in London will probably bring new elections in Singapore which the Communist-manipulated People's Action Party stands a good chance of winning. The odds appear to be against any early outbreak of violence unless the British attempt to hold up elections or suspend constitutional government altogether. [REDACTED]

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**NEW ASIAN-AFRICAN MEETINGS  
UNDER CONSIDERATION . . . . . Page 15**

A second Asian-African conference seems likely some time in 1957, and an economic conference may be held sooner. Stronger Communist and neutralist representation than at Bandung could be expected, and the Communists presumably would come armed with firm offers of assistance and co-operation. [REDACTED]

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**SOUTH KOREA . . . . . Page 16**

The considerable opposition strength manifested in South Korea's presidential elections will require political adjustments and will probably inaugurate a period of political instability. President Rhee has already replaced his home minister, and other governmental and Liberal Party changes appear likely. The strong showing by the Democratic Party will boost the prestige of Vice-President-elect Chang Myon, and move South Korea in the direction of a two-party system. [REDACTED]

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**PART III****PATTERNS AND PERSPECTIVES****THE BRITISH MILITARY POSITION IN THE INDIAN OCEAN AREA . Page**

Britain evidently considers that loss of access to its air and naval bases in Ceylon, as threatened by the Bandaranaike government, will not have irreparable consequences and has begun exploring possibilities for alternative base sites in the Indian Ocean area. Furthermore, London evidently believes Ceylon will wish to maintain some defense ties with Britain as a counterweight to the influence of India. [REDACTED]

**STATUS OF FOREIGN AID PROGRAMS IN AFGHANISTAN . . . . . Page**

Afghanistan has moved rapidly to use the \$100,000,000 credit granted by the USSR during the visit of Soviet leaders Bulganin and Khrushchev last December. At the same time, Kabul has sought to emphasize its neutrality by showing increased receptivity to contact with the West, particularly the United States. Possible Afghan moves toward Western-supported Pakistan, however, are limited in view of Prime Minister Daud's unswerving policy on Pushtoonistan. [REDACTED]

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**SOVIET POLICY IN THE ARAB-ISRAELI SITUATION 1955-1956. . Page**

The USSR achieved an influential voice in Near and Middle Eastern affairs during the past year by promoting a de facto alliance with the Egyptian-led Arab states through sales of arms to Egypt and Syria. The Soviet Union further succeeded in raising additional obstacles to the expansion of the Baghdad pact, as well as bypassing the 1950 US-British-French tripartite agreement, the outstanding symbol of Western influence in the Near and Middle East. An ultimate Soviet aim probably is to convene a special conference on the entire problem of the Middle East with the participation of the great powers and the states of the area. [REDACTED]

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## PART I

OF IMMEDIATE INTERESTARAB REACTION TO EGYPT'S  
RECOGNITION OF COMMUNIST CHINA

Official Arab reaction to Egypt's recognition of Communist China on 16 May has been mixed and suggests that other Arab states, with the possible exception of Syria, will not immediately follow Egypt's lead. Arab public reaction, however, has been generally favorable.

Syria

Syria, strongly anti-Western and pro-Egyptian, is probably the most likely Arab state to follow Egypt's lead, with the Sudan a possible third.

In Syria, an enthusiastic press and many politicians are urging the government to recognize Peiping. Akram Hawrani, leader of the influential Arab Socialist Resurrection Party, has called for adoption of the October 1955 petition of 50 Syrian deputies demanding recognition. Prime Minister Ghazzi was evasive on the subject in a talk with Ambassador Moose on 19 April. Press reports indicate the question is now being discussed by the cabinet. Jordan's former prime minister Rifai and Nationalist China's Ambassador Ho in Cairo believe that Syria will recognize Peiping.

The Sudan

Reports from the Sudan over the past months have shown confusion and disagreement on the question of recognizing Peiping. Prime Minister Azhari said on 21 May that he was not surprised at Egypt's action,

but he could not see any particular benefit. He said that the action was probably the result of Soviet pressure, but that the Sudan was under no such pressure. Notwithstanding Azhari's remarks, the Chinese Communists have been pressing the Sudanese for recognition and closer trade and cultural relations, and a Sudanese government delegation is now visiting Communist China. Chinese Nationalist ambassador Ho believes the Sudan will "sit on the fence" for the present.

Iraq and Lebanon

Iraq and Lebanon will probably continue to maintain their relations with Nationalist China, although some Lebanese politicians are urging recognition of Peiping. An Iraqi Foreign Ministry spokesman told the press that Iraq has never considered recognizing Communist China and will continue its cordial and friendly relations with the Nationalists. Iraq recently agreed to have Nationalist China raise its diplomatic mission from legation to embassy level. Prime Minister Nuri Said characterized the Egyptian action as "just one more move by Nasr in his campaign of blackmail."

Lebanon will not be under strong pressure to follow Egypt's lead, and will be relatively free to chart its own course, which has generally been pro-Western. Prime Minister Yafi has made no statement other than that Egypt could do as it

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chose. President Chamoun, however, told Ambassador Heath on 21 May that he had spoken against recognition in a recent cabinet meeting, and Foreign Minister Lahoud said there was no immediate danger that Lebanon would recognize Peiping.

Last December, Lebanon signed, but has not yet ratified, a trade agreement with Communist China which provided for the exchange of permanent trade missions. The Lebanese Foreign Ministry official in charge of United Nations affairs stated in February that the question of Chinese representation in the UN would be more difficult in the future, and that even Lebanon might "have to retreat into abstention in view of the changing attitude of the Arab states."

Saudi Arabia

Saudi Arabia will probably not recognize Communist China. King Saud's secretary told the American chargé in Jidda on 21 May that Saudi Arabia had no intention to do so and would not be influenced in this by the Egyptian action. However, Saudi Arabia will probably not implement an agreement with Nationalist

China to change the present consular representation to embassy level.

Jordan

The Jordanian press reacted favorably to Egyptian recognition and hailed it as a blow to the West and to the United States in particular. However, the fluid political situation in Jordan, the recent change of government, and Jordanian pre-occupation with local problems suggest that Jordan will sidestep the issue as it has in the past. Former prime minister Rifai, shortly before he resigned, said that there was no thought of recognizing Peiping when Jordan had not "even recognized the head of the outfit--Russia."

Libya and Yemen

There has been little reaction in either Libya or Yemen. Chinese Nationalist ambassador Ho believes that Libya will not follow Egypt's lead, but will also not agree to Ho's proposal to establish relations with Nationalist China now for fear of offending Egypt.

Yemen has indicated some interest in closer relations with Communist China.

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## ARAB-ISRAELI SITUATION

Several reports suggesting that Egypt may be preparing to lead the Arab states in a new attempt to negotiate with Israel lent some slight substance to new optimism voiced by UN secretary general Hammarskjöld. There has been no relaxation, however, in the military preparedness maintained by each side.

Arab Statements

The Arab foreign ministers' conference in Damascus on 17-18 May issued only a noncommittal communiqué, but press reports and Lebanese diplomats have suggested that Egypt pointed out the impracticability of the Arab states' insistence on the UN 1947 Palestine partition

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plan as the only basis for negotiation with Israel. The only recent report of what Egypt might consider as a substitute negotiating position, however, repeated previous ideas of an Arab corridor across Israel's Negev desert--a proposal Israel has frequently rejected.

Cairo did take an unprecedented step in permitting publication in a weekly magazine of an article which, while sharply critical of Israel's treatment of its Arab minority, gave evidence of accepting the thought that Israel is here to stay. It is not clear whether publication of the article--reportedly the first in a series--is merely a freak action which the Nasr regime will soon repent or whether it is a trial balloon to test popular reaction to a public abandonment of the standard Arab thesis that the state of Israel in its present form must eventually disappear.

**Hammaraskjold's Views**

The UN secretary general meanwhile appears to have revised his earlier view that his mission to the Near East had achieved at best a two- to six-month truce. He told Ambassador Lodge that he foresaw no war for at least a year, and subsequently cited press reports on Arab diplomatic activity as a "straw in the wind" supporting his belief that the Arabs will ask him to come back to the area this summer. An Arab statement, however, reportedly opposed Hammaraskjold's return with any broader terms of reference than those of his previous mission.

Some of Hammaraskjold's optimism may derive from

negotiations he apparently has been carrying on since his return to New York. The secretary general said on 21 May that these activities were bearing fruit, and hinted that he might accomplish much by "confidential means" with the "possibility of newspaper publication...as a sort of club behind the door." The Arab-Israeli situation has lent itself to this style of "confidential" operation, but public commitments have seldom resulted, since Arab leaders in particular have felt unable even to admit publicly that they have indulged in thoughts of compromise.

**Israeli Actions**

On the Israeli side, press and government continued to take an unenthusiastic view of Hammaraskjold's achievements. Tel Aviv newspapers seized on the first Cairo announcement of a new arms deal with Poland--a development later denied by both Poles and Egyptians--as "proof" that the Arabs were continuing on their warlike course. Some military movements in Israel looked like possible reinforcement of the area near Banat Yacov. The Israelis were also apparently building up a "case" of truce violations against Syria, perhaps with the idea of justifying a resumption of work in the demilitarized zone on the Jordan water project.

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[redacted] Soviet bloc supplies continued to arrive in Alexandria, and that the Egyptian recognition of Communist China was intended to assure Cairo of a future source of such material in case the

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USSR became involved in a UN arms embargo to the Middle East.

These military developments indicated clearly that whatever diplomatic initiatives the Arabs

and Israelis might be contemplating, they continued to put their main reliance on their armed forces. Any change in this basic attitude seems remote.

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## LAOS

Communist activity with respect to Laos, designed to exclude Western influence in that country in return for settlement of the Pathet Lao issue, is making headway. Despite his avowed firmness in dealing with the Communists, Laotian premier Souvanna Phouma is strongly attracted to the idea of arranging private talks with Pathet Lao leader Prince Souphannouvong, his half-brother, in the hope of reaching a settlement.

Souvanna Phouma believes the Pathets are on the defensive and is confident he can exploit the differences between those Pathets who are oriented toward the Viet Minh and those who are "nationalists." He bases his belief largely on the fact that the Laotian government's guerrilla war of attrition against the Pathet forces has weakened the Communist hold on the two northern provinces of Phong Saly and Sam Neua.

Viet Minh strategy in Laos apparently has been to promote frustration by maintaining a deadlocked situation in the hope of eventually gaining important concessions from the government. The Communists may now feel, however, that the

time has come to make the best possible deal with Vientiane. They may believe there is much more to gain by "peaceful" penetration and subversion throughout Laos than by continuation of an increasingly unrewarding military effort in the remote north. It may have been in this connection that Wilfred Burchett of the London Daily Worker went to Vientiane and sounded out the Laotian government's position.

In addition to Communist blandishments, the premier is under strong internal pressure to obtain a peaceful solution to the Pathet Lao problem. Indian officials in Vientiane are also promoting the idea that if Laos would act "more like Cambodia," the Pathet Lao would be reasonable and would come to terms.

Although he apparently is well-intentioned, Souvanna Phouma is naive and may be manipulated into making dangerous concessions. In an interview on 10 May that may give a preview of his position in any meeting with Souphannouvong, Souvanna Phouma told Burchett he was prepared to reintegrate the Pathets into the government and the armed forces

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"without discrimination" in  
return for restoration of  
the government's authority in  
Phong Saly and Sam Neua Prov-

inces.. He also declared that  
Laos would observe the "five  
principles of coexistence."

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## PART II

NOTES AND COMMENTS

## SOVIET-FRENCH TALKS

The Soviet-French talks which ended in Moscow on 19 May were marked by lack of agreement on important issues. The Soviet leaders followed rigidly their standard lines, and the Mollet-Pineau team was determined to give Moscow no chance to exploit any French differences with accepted Western policies. The most specific agreement reached covered an expansion of cultural exchanges in a wide variety of fields.

Soviet Aims

Bulganin and Khrushchev evidently looked on the trip, like their visit to London, primarily as a means of establishing a channel for approaches at a more auspicious time in the future. The USSR may have been somewhat circumscribed by French firmness. In any event, the Soviet leaders apparently did not attempt to bargain seriously to gain French agreement with the Soviet position on outstanding issues. Nor did they appear to make any determined effort to capitalize on French differences with other Western powers on such questions as the Middle East, disarmament, or a security system for a divided Europe, but were content to reiterate their established positions.

French Attitude

In Moscow, Premier Mollet reaffirmed France's loyalty to the Atlantic Alliance, and his handling of the talks appears to have strengthened his internal political position. The French were impressed by the frankness of the Soviet leaders and their inflexibility on most issues. They seem to have been

surprised by the apparent Soviet acceptance of continued French participation in NATO as a fact of international life.

Despite the lack of agreement in Moscow, Paris will probably continue its efforts to increase cultural and trade relations with the East and to seek high-level contacts. Polish, Czech, and Soviet visits to Paris are already in prospect.

Middle East and Algeria

On the Middle East, the joint communiqué was largely a restatement of the Soviet-British communiqué. Moscow rejected as premature and inappropriate a French proposal approving UN secretary general Hammarskjöld's efforts on behalf of peace in the Near East. It barred any statement on future UN measures to put an end to the arms race, such as an embargo on arms shipments to the Near East, that did not specifically mention Iran and Pakistan.

The statement in the communiqué on the Algerian question was a cautious compromise. The French would have preferred some unilateral expression of sympathetic Soviet understanding, but hope that the compromise statement will have some sobering effect on the Arab countries and the French Communist Party. The Soviet leaders implied that they wanted to oblige with a statement but were worried about critical Arab reaction and therefore merely expressed hope that the French would find a solution. Khrushchev took a public opportunity to counter any adverse Arab reaction to the

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communiqué by toasting "the Arabs and all others who are struggling for national independence."

Other Issues

The clearest illustration of the deadlock was on European issues. The USSR spent hours denouncing NATO and barred any reference in the communiqué to French membership in the organization. Khrushchev was adamant on the question of German unification and likewise refused to have it included in the communiqué.

There was no difficulty in agreeing to endorse the proposals on Indochina made by the

Soviet-British Geneva conference co-chairmen on 9 May. Nevertheless, the USSR tried in vain to insert a reference to France's continuing responsibility in Indochina.

The Soviet leaders, as they had with the British, offered to increase trade three- or four-fold if strategic trade controls were lifted. Agreement was reached on negotiating a three-year trade agreement in the fall. Mollet was quoted by the Soviet press as saying after the talks that while "France is bound by certain obligations," he intends "to work out an agreement with the United States and Britain for changes in the existing rules" to allow an increase in trade.

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## SOVIET-JAPANESE RELATIONS

The generally favorable popular reaction to the Japanese Soviet fishery pacts will have the effect of encouraging the Hatoyama government to establish normal relations with the USSR. In addition, the necessity of official negotiations in Tokyo to implement the provisional agreement for the present fishing season will, at the least, result in de facto official relations and probably will hasten the resumption of full diplomatic relations.

Although many influential Japanese have declined to take a stand on the Moscow negotiations until the chief Japanese negotiator, Minister of Agriculture and Forestry Kono, returns and makes a statement, his personal political position and the prestige of the Hatoyama

government have improved as a result of the fishery pacts.

The prime minister told the Diet on 21 May that Kono conducted the Moscow talks in accordance with official policy, and Foreign Minister Shigemitsu, a proponent of firmness toward the USSR, is showing signs of reconsidering his stand. He has stated that Japan must now reassess its policy in preparation for the scheduled reopening of treaty talks no later than 31 July. Over-all, the Japanese appear to feel the settlement was the best possible in view of Japan's weak bargaining position.

Cabinet Reorganization

Hatoyama and his influential following in the ruling Liberal-Democratic Party, which

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favours relations with the Soviet bloc, feel that public acceptance of the Moscow agreements has provided an opportunity for a cabinet reorganization. The proposed cabinet would be designed to strengthen the control of the Hatoyama-Kono-Bukichi Miki faction of the party, and at the same time bring other factional leaders into the government.

A reorganization now being discussed would make Shinsuke Kishi, a leading contender for Hatoyama's post, deputy prime minister, while Kono would replace Kishi in the important party secretary general post. Many political observers anticipate Shigemitsu will be dropped.

Issues at Stake

Japanese leaders apparently believe there is no prospect for the immediate return of the southern Kurils, and that it is preferable to make early settlements without final determination of the islands' status. The alternatives under consideration are whether to resume relations via the "Adenauer formula," with a prompt exchange of ambassadors without a formal treaty, or to try for a treaty which recognizes a possible future reconsideration of the territorial problem. Should the Japanese decide to seek a treaty settlement, it is highly probable they would make a bid for Soviet recognition of residual Japanese sovereignty over the southern Kurils.

Status of Soviet Mission

Meanwhile, problems have arisen involving the provisional fishery pact and the status of the Soviet representation in Tokyo. The provisional agreement appears to require that Japanese fishing licenses be endorsed by the Soviet mission chief to be valid, and Moscow has indicated that any negotiations over ship seizures should be handled in Tokyo.

The new Soviet chief representative in Tokyo, Sergei Tikhvinsky, has indicated that any negotiations between his mission and the Japanese government related to fishery or other matters cannot be undertaken until Japan recognizes the mission. Tikhvinsky's position directly rejects the Japanese Foreign Ministry stand that Tokyo will not recognize the mission prior to the establishment of diplomatic relations between the two countries. A statement by the first returning Japanese fishery delegates that Japan will start negotiations promptly with the Soviet mission further undermines the Foreign Ministry position.

The necessity for making arrangements which will safeguard Japanese fishing during the present season apparently will compel the Japanese government to undertake official negotiations with the Soviet mission. This in turn probably will influence Tokyo toward accepting a formula restoring normal relations prior to a peace treaty.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****24 May 1956****SOVIET WITHDRAWALS FROM GERMANY**

In an effort to keep Soviet disarmament proposals in the public eye, the East Germans announced the beginning of Soviet troop and air unit withdrawals from East Germany within a week after the USSR stated that it would reduce its forces by 1,200,000 men, including 30,000 from East Germany.

On 18 May an unstated number of Soviet troops, presumably ground forces, were claimed by the East Germans to have boarded a USSR-bound train at Falkenberg; their departure remains unconfirmed. Similarly on 20 May, the East German press reported the departure of "two Soviet air force units" from Brandenburg for the USSR. The units involved are probably the two Soviet ground attack regiments at Brandenburg.

Withdrawal of the air regiments, which are equipped primarily with obsolete IL-10's of World War II vintage, would not alter appreciably

Soviet ground support capabilities in East Germany. The three regiments of the remaining ground attack division in East Germany are now equipped with MIG-15's, and the third regiment of the Brandenburg division began converting to jets in April.

Rail shipments of equipment, military personnel and dependents from Brandenburg to the USSR began on 7 May, a week before the Soviet announcement of the forces reduction, and apparently continued through 19 May.

Although only about seven percent of Soviet forces in Germany are to be affected by the Soviet announced ground and air units withdrawals, a maximum propaganda effort unquestionably will publicize their return to the USSR. Defeat of conscription legislation soon to be considered by the West German Bundestag may be the immediate goal.

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**DISCONTENT IN  
CZECH COMMUNIST PARTY**

Czech Communist Party intellectuals and provincial leaders, taking advantage of confusion and uncertainty, are reportedly demanding the dismissal of most members of the present politburo. Open discontent and ferment have not been quieted by the removal of

Defense Minister Cepicka, and may lead the regime to undertake further dismissals, particularly among those who can be closely identified with Stalinist policies. The position of the ruling triumvirate appears relatively stable.

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An earlier report stated that top party figures have been unable to give clear policy guidance to the rank and file, and there are indications that confusion at the top levels has stimulated considerable speculation, even among politburo members themselves, as to who will be forced from office next.

Most frequently reported in trouble is the propaganda boss, Ladislav Kopecky, a militant figure who could easily, and probably justifiably, be accused of Stalinism. Other possible candidates for removal include Minister of Culture Stoll, a protégé of Kopecky, and Slovak party leader and former security minister Bacilek.

The position of the ruling triumvirate--party first secretary Novotny, President Zapotocky, and Premier Siroky--appears to be relatively stable, despite the fact that some criticism of Novotny has been voiced. Reportedly only Zapotocky, however, enjoys party popularity.

Pressures from increasingly vocal elements in the party may lead the regime to follow up Cepicka's ousting with additional firings, particularly of those who have been most closely identified with the unpopular

cultural and security policies of the past. Such removals, however, would not indicate a coming disintegration of the party leadership nor of the party control mechanism.

The open dissidence expressed by party intellectuals has not as yet been echoed by the public, which apparently has adopted a "wait-and-see attitude." University students, however, are now militantly expressing their grievances against the regime, and this may foreshadow a spread of such activity to other informed elements of the citizenry.

The party leadership is attempting to draw the line on public criticism. President Zapotocky warned outspoken critics at the Writers' Congress in April, for example, that the party must be immune from attack. Criticism, however, will not be silenced by mere policy speeches, particularly since the regime appears uncertain as to methods of enforcement, and even the removal of one or two more politburo members may fail to placate the opposition. Nevertheless, the regime's task is not so difficult as that confronting the Polish and Hungarian parties.

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**YUGOSLAVIA INCREASES EFFORTS TO INFLUENCE ALBANIA**

Recent shifts among Yugoslav officials concerned with Albanian affairs and indirect criticism of Albanian premier Shehu in the Yugoslav press indicate a heightening of Belgrade's interest in Albania. Developments at the current Third Albanian Party Congress should provide some indication as to the future course of Yugoslav-Albanian relations.

On 4 May, the Yugoslav minister to Albania, Predrag Ajtic, was replaced by Arso Milatovic, who reportedly cooperated with Albanian party boss Hoxha during the "partisan days." Ajtic was known to prefer the company of his Western colleagues, and Belgrade may have felt he would not be useful in any future plans for improving relations with Tirana.

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Ajtic, who is thoroughly versed in Albanian-Yugoslav affairs, is now playing an important role in the Kosmet, a region inhabited mainly by ethnic Albanians, where Yugoslavia has shaken up the leadership of the regional and local government.

Premier Shehu's Position

A Yugoslav Macedonian paper claimed on 14 May that a bill recently sponsored by Premier Shehu was twice overwhelmingly rejected by the Albanian parliament. When Shehu demanded a third vote, he reportedly was told that even though he was premier, he had no right to ask for another vote.

This story appears to be a fabrication and may merely be the opening of a public Yugoslav campaign to discredit Shehu and force his removal. According to the Italian Foreign Ministry, one of its legation officials in Tirana was present at the assembly session in question and observed the bill's passage with the usual unanimity.

The Italians have aspirations of their own in Albania and view Shehu as the best barrier to the development of Belgrade's influence there because of his extreme hostility to Yugoslavia.

The Italian minister to Tirana believes that the

Albanian congress will find Shehu in a weak position, with the USSR making every effort to replace him with someone more amenable to Yugoslavia's influence.

Albanian Views

Albania has done little to conform to the bloc campaign of wooing Tito, presumably out of fear of stimulating Yugoslavia to reassert its pre-1948 influence there--a development which would be universally unpopular in Albania. The removal of either Shehu or Hoxha, responsible for executing pro-Titoist Koci Xoxe in 1949, would be interpreted in Albanian party circles as yielding to Yugoslav pressure. Belgrade in fact dislikes both men, but presumably feels a satisfactory arrangement could be worked out with Hoxha if Shehu were removed. Shehu had taken a decidedly anti-Yugoslav position even prior to the 1948 break.

The USSR may believe some gesture in regard to Albania is necessary prior to Tito's visit to Moscow. Tito probably will raise the question of Albania's unfriendly attitude toward Belgrade, pointing out in particular that Koci Xoxe, Tito's front man prior to 1948, remains the only Satellite "Titoist" purge victim who has not been rehabilitated. Belgrade has criticized this failure and the recurring Albanian press articles which characterize Xoxe as an "enemy of the party." For the present, Tito would probably be satisfied by the demotion of Shehu.

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**SOVIET APPROACHES TO TURKEY**

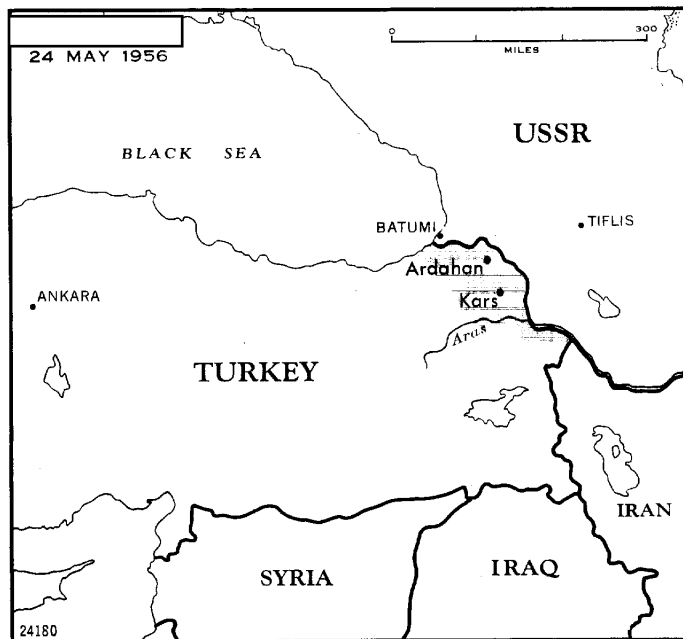
Turkish leaders continue to view persistent Soviet offers of "unconditional" economic aid with suspicion. In the event of a worsening of Turkey's critical economic situation, however, the Turkish government may feel the need for reappraising its economic relations with the Soviet Union.

Soviet Approaches

Since Stalin's death in March 1953, Soviet officials have approached the Turks on at least 20 occasions with expressions of good will and suggestions that improvement of Soviet-Turkish relations would be of mutual benefit. In May 1953, Soviet foreign minister Molotov opened the campaign to win Turkish good will by handing the Turkish ambassador in Moscow a note renouncing Soviet territorial claims to two of Turkey's eastern areas--Ardahan and Kars. Later that year the long-standing dispute involving the regulation of Aras River waters was settled to Turkey's satisfaction.

Turkey during 1955, and this number has already been surpassed during the first five months of 1956.

Moscow has offered extensive and ostensibly unconditional economic aid to the Turkish government and to private business. The latest Soviet effort reported is a \$14,000,000 credit offer to finance the import of Soviet goods. Turkey's trade



with the Soviet bloc in 1955 amounted to 20 percent of its total foreign trade as compared with about 12 percent in 1954. The USSR is currently seeking exchanges of parliamentary, athletic, and cultural delegations.

Turkish Reaction

Despite clever propaganda in support of Soviet diplomatic and economic overtures, and despite popular pressure to accept the badly needed financial

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assistance, the Menderes-Bayar government has remained firm in its insistence that the international atmosphere cannot be cleared bilaterally. The Turks view the Soviet strategy as aimed at dividing the Western world into more "digestible portions."

Turkey has shown no inclination to isolate itself from the Western defense complex. Ankara has even requested American guidance in meeting the current Soviet approaches. It feels isolated, however, in its uncompromising position because many of its Western allies are less resolute in opposing the exchange of various types of delegations with the USSR. Accordingly, the Turks may adopt some elasticity in their policy regarding such exchanges, a development which might result in some weakening of the popular anti-Soviet attitude.

American emergency aid in foodstuffs, spare parts, raw materials, and petroleum has temporarily eased Turkey's economic problems. Nevertheless, the cost of living is excessively high and the value of Turkish currency continues to drop. The

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The Turkish government is fully alive to the possible political consequences of Soviet economic assistance. In the event the present critical economic situation develops into a major crisis with severe hardships on a large segment of the Turkish population, however, Ankara would be faced with overwhelming popular pressures to seek relief wherever it could be found.

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(Concurred in by ORR)

## EGYPT MAY RECONSIDER USSR OFFER TO BUILD ASWAN HIGH DAM

The reported renewal by Moscow on 17 May of its offer to construct the Aswan High Dam was designed to exploit any apprehension Cairo may have felt that Western financing arrangements might fall through. In renewing the offer, Soviet ambassador Kiselev allegedly pointed out to Egyptian prime minister Nasr that Moscow realized Cairo's recognition of Communist China had jeopardized Egypt's chances of obtaining aid from the West. The Egyptian minister of national production told a press conference in mid-May that the Soviet

offer to finance the dam still held and that Egypt could "accept it at any time."

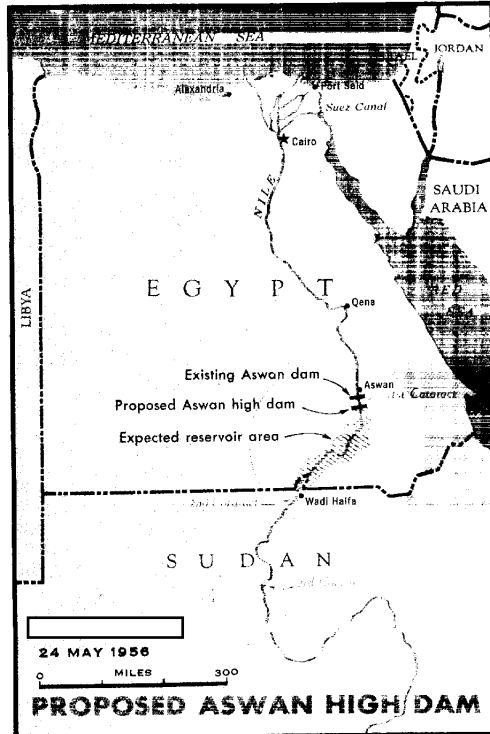
The driving ambition of the Nasr regime to construct the dam, and the difficulties it feels it has faced in trying to obtain Western financing, may cause Cairo to reconsider the Soviet offer first made public last October. At that time Moscow offered a 30-year loan for an unspecified amount at 2 percent interest payable in Egyptian rice and cotton.

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Extent of the Project

The dam, which is a central feature in Egypt's TVA-like 1.3-billion dollar Sadd-el-Asli project, has become a symbol of the

success or failure of the domestic program of the present Cairo government. While preliminary engineering work has been going on for many months, construction awaits agreement on financing. The estimated cost of the dam will be approximately \$480,000,000, of which about \$275,000,000 will have to be spent on imported equipment. This amount, therefore, would have to be obtained in foreign currency.

The International Bank, the United States and the United Kingdom have approved in principle and in some detail the financing of the dam. The International Bank would make available \$200,000,000 for a 20-25 year period at an interest rate of 4.5 to 5 percent. Initially Britain and the United States would also make available grants totaling \$70,000,000.

(Prepared by ORR)

**EAST GERMANY SEEKS CLOSER TIES WITH NEAR EAST AND AFRICA**

The East German government has recently stepped up its efforts to establish closer economic ties with countries in the Near East and Africa. An East German trade delegation headed by Heinrich Rau, deputy premier and minister for foreign and domestic trade, which toured the Sudan, Syria, Egypt and Lebanon in April and May, was well received. The delegation was accorded official treatment in these countries, and Rau met with the presidents of Lebanon and Syria.

While no formal trade agreements between East Germany and the countries visited have been announced as a result of Rau's tour, the delegation apparently did arouse interest in doing more business with East Germany. The establishment of closer commercial relations could be a prelude to an institution of full diplomatic relations with East Germany.

Some Sudanese leaders, especially Premier Ismaili Al Azhari and Deputy Premier Ibrahim

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al-Mufti, are reported to favor closer commercial, if not political, relations with East Germany, and the Sudanese government accepted Rau's invitation to send a trade delegation to East Germany. On 13 May, only a week after the invitation was extended, Al Mufti, the highest-ranking non-Communist government official to pay a formal visit to East Germany, arrived in East Berlin.

The conversations in Khartoum indicated that the Sudanese government is especially interested in selling agricultural products such as cotton, vegetable oils and canned meats.

In return, it wants to import East German agricultural machinery, fertilizers and chemicals, including insecticides and materials for combating various types of plant diseases.

The Sudanese government has also indicated it wants technical assistance in exploiting its natural resources. East Germany has already shown its willingness to co-operate and had sent some geologists to prospect for water and supervise the construction of water supply installations in arid regions of the Sudan. [ ]

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**BRITISH SEEK FEDERATION OF ALL SOMALI TERRITORIES**

Britain is trying to promote a union under paramount British influence of the Somali territories of eastern Africa in an effort to reinforce its strategic position in that area and to acquire more effective means to counter Egyptian, Saudi, and possibly Soviet influence there. Ethiopia will probably continue to protest, perhaps to the extent of seeking Soviet support, but Britain hopes its objections and those of Italy and France can eventually be overcome. A preliminary public announcement is scheduled for the end of May.

**"Greater Somalia"**

Britain's plan is an evident attempt to forestall future trouble in an area where political frontiers have little significance for the nomadic

inhabitants and where most requisites for genuine independence are lacking--despite the UN's schedule of full independence in 1960 for its Italian-administered trust territory of Somalia. In an effort to preclude penetration by unfriendly powers with offers of aid, Britain goes so far as to suggest ultimate Commonwealth membership for a federation of all territories inhabited by the Somali tribes.

According to a Foreign Office policy paper, the initial federation would consist of Somalia and British Somaliland and probably would be established by 1960. As an essential granary, the Ogaden region, the Haud, and the territory known as the Reserved Area would be transferred from Ethiopia at some later date.

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French Somaliland and that part of northern Kenya inhabited by Somalis would also eventually be included. London envisages that such a Greater Somalia would require financial help from France, Italy, the United States, and the International Bank for Reconstruction and Development at the rate of more than \$7,000,000 annually for the first stage of federation and presumably more later.

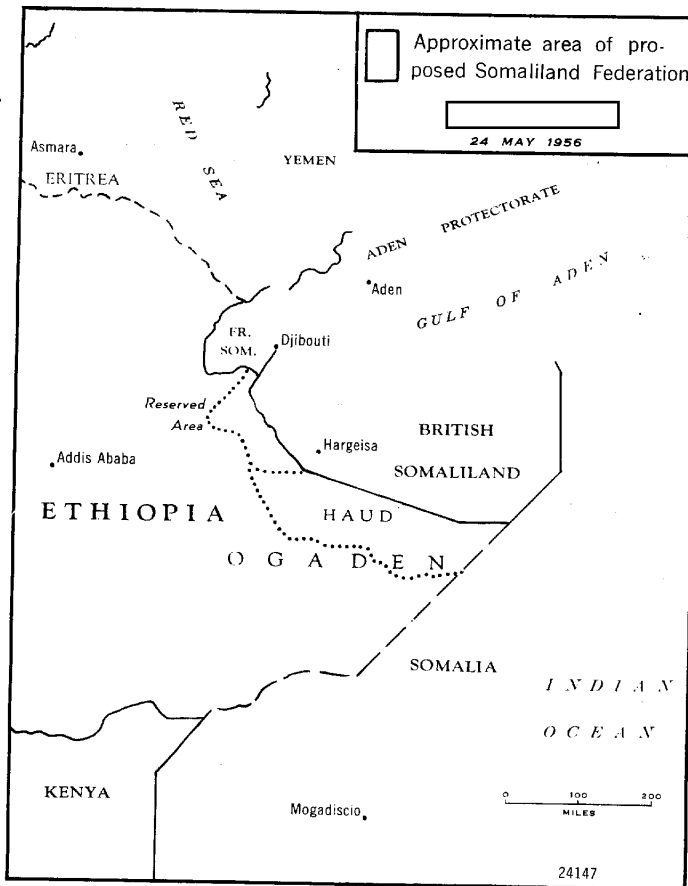
Objections

Ethiopia, France, and Italy have offered vehement objections to an initial outline of British intentions. British negotiations with Ethiopia in April, ostensibly over re-interpreting a 1954 agreement that turned the Haud over to Ethiopian administration, led to acrimonious discussion, and American observers at one point thought Ethiopia might seek Soviet support. London later claimed it does not in theory oppose a federation under Ethiopian hegemony but that such a solution would be inadvisable in view of Somali hatred of the Ethiopians and insufficient Ethiopian resources for development.

France's initial reaction to the British scheme was also negative, but a French official said in mid-May that France might be amenable to ceding all of French Somaliland except the port of Djibouti. Italy also objected in talks on 8 May but London has expressed the hope

that the various difficulties can be surmounted.

The British are therefore planning to continue cautiously, and preliminary measures are to be introduced in British Somaliland with guidance from Parliamentary Undersecretary for the Colonies Lord Lloyd, who arrived there on 20 May. At the end of May the governor of British Somaliland will announce publicly that Britain favors federation and will outline plans for economic and social development, particularly in education, to prepare British Somaliland for internal autonomy.



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## THE CYPRUS SITUATION

The situation in Greece and Cyprus continues to be dominated by repercussions of the execution on 10 May of two Cypriot terrorists. The British have imposed complete curfews in some parts of Cyprus, but outbreaks of violence and student demonstrations have increased sharply.

In Greece, lengthy parliamentary debates over the government's handling of the Cyprus issue have begun. Opposition leaders Sophocles Venizelos and George Papandreou

are urging a vote of censure against Prime Minister Karamanlis. If Karamanlis can maintain party discipline, he should win the confidence vote expected on 25 May. If he does win, Foreign Minister Theotokis, a major opposition target, as a spokesman for the government's moderate approach on the Cyprus question, will probably be replaced and Karamanlis may feel impelled to broaden his government to include opposition members.

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## JORDAN

The new Jordanian cabinet of Said al-Mufti shows signs of leading the country toward greater nationalism and away from its special relations with Britain.

Jordanian interests." In a subsequent interview, he hinted that Britain might be asked to modify its present base rights, and declared that he would ask the British whether

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One of the new prime minister's first acts was to announce his intention to amend the Anglo-Jordanian treaty to "make it more compatible with



PRIME MINISTER SAID AL-MUFTI

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their annual \$26,180,000 military subsidy to Jordan represented rent paid for British air base rights or a grant of aid. He added that aid without conditions from the United States was welcome.

Premier al-Mufti's cabinet includes former ambassador to Egypt Fawzi al-Mulqi as vice premier and minister of foreign affairs, and Major General al-Ajluni as minister of defense and interior. Al-Ajluni's son is a military aide to the king and reportedly a supporter of ultranationalist Major General Ali Nuwar. Nuwar, who spearheaded the movement to oust General Glubb,

was promoted and elevated to chief of staff of the Arab Legion on 24 May following the resignation of the figurehead chief of staff Innab. Ex-premier Rifai had opposed the king's proposal to make Nuwar commander of the Arab Legion.

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## PAKISTAN

Pakistan's seven-week-old political crisis remains unresolved. Although the government-backed Republican Party has apparently managed to organize a small majority in the West Pakistan assembly, the opposition Awami League succeeded on 22 May in getting the East Pakistani assembly to refuse to accept the budget presented by the United Front provincial government, which has been supported by President Mirza.

The East Pakistan assembly's action will probably force Mirza to institute several months of direct rule of the province, during which he will have to try to organize a new coalition there.

The United Front may be able to develop enough support during this interim to reassure control of the government after the ending of direct rule, but it will be faced with keen competition from the Awami League, whose national leader, H. S. Suhrawardy, will attempt to take advantage of the situation to promote further new claims to the premiership of Pakistan.

The turmoil in the provinces has delayed a decision on changes in the central leadership, and it appears likely that Prime Minister Chaudhri Mohammad Ali's trip to Communist China, originally scheduled for 15 May, may be further postponed beyond the present 2 June departure date.

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## SINGAPORE SITUATION

If Singapore's Chief Minister Marshall carries out his stated intention to resign on 6 June, new elections are likely which pro-Communist elements stand a good chance of winning. It seems probable, however, that the British governor will first ask one or two other members of the legislative assembly to try to form a new government. Then, if these efforts fail, the only alternative appears to be for the governor to set a date for new elections with various nominated and ex-officio members of the assembly acting in the capacity of a caretaker government.

Election Demands

Spokesmen of the Communist-manipulated People's Action Party (PAP) have already issued strong demands for early elections. On arriving in Singapore, a PAP leader who had been a member of Marshall's delegation declared that the party returned to power would be able to reopen negotiations with London from a "position of strength." He further stated that the PAP was pledged to "jam the present constitution" as a means of securing a better one.

The PAP is the best organized political party in Singapore. It exercises a large measure of control over local student and labor organizations which have precipitated serious riots in the past, and its influence among the island's 800,000 Chinese has been growing steadily. The general consensus is that the PAP stands an excellent chance of winning any election held in the near future.

The PAP's interest in elections would seem to indicate an estimate that its immediate objectives would best be served by using its influence to maintain peace. Should the British either stall on elections or suspend constitutional government altogether, the chances are good that they would be faced with violent disorders even though they have taken elaborate security precautions.

Britain's Position

There are indications that the British will not attempt to hold up elections, although they are aware of the likelihood of a PAP victory. In the absence of a promising alternative, the British may be inclined to let events take their course in the hope that a PAP government would turn out to be more amenable to deal with in power than it has been as an irresponsible opposition party. The British have made clear, however, that in the final analysis they have no intention of allowing Singapore to be dominated by a Communist regime.

The British are convinced that the only real solution to the problem is the integration of Singapore with an independent Malaya. The Malayan government, however, is unwilling to become involved in Singapore's difficulties and is refusing to consider a merger before August 1957, when Malaya is scheduled to achieve full independence. Chief Minister Rahman will probably become increasingly reluctant to accept the British plan.

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NEW ASIAN-AFRICAN MEETINGS  
UNDER CONSIDERATION

Prime Minister Ali of Indonesia stated on 17 May that the Colombo powers--India, Burma, Pakistan, Ceylon and Indonesia--were considering holding a second Asian-African conference some time in 1957. He further indicated that his government was ready to call for an economic conference of these countries to study how the "practical sides" of the Bandung resolution could be put into effect. Under present circumstances, the prevailing tone of any such conferences would almost certainly be more neutralist than at Bandung, and more receptive to Communist offers of co-operation and aid.

Favorable Sentiment

The widespread attention given the first anniversary of the Bandung conference, particularly in Communist and neutralist countries, clearly indicates the existence of considerable pressure for more Asian-African meetings. The Communist bloc hailed the Bandung meeting as a "turning point in world history," and expressed gratification over the growth of closer ties between the bloc and Asian-African countries. Prime Minister Chou En-lai and Vice Premier Ho Lung publicly declared that a second such conference "is to be welcomed."

Neutralist treatment of the Bandung anniversary was more reserved, but favorable. In Burma, India and Indonesia, the conference was said to have eased world tensions and demonstrated the unity of Asian-African anticolonialism.

The Communists are in a good position to take advantage of any new conference. It is

quite possible that, in addition to Communist China and North Vietnam, the Sino-Soviet bloc would be represented by Mongolia and North Korea. Even the USSR might be present. The neutralist contingent would probably be strengthened by the addition of Ceylon--which was strongly pro-West at Bandung--and perhaps Morocco, Algeria and Tunisia. Moreover, such countries as Pakistan, Turkey, Thailand and the Philippines have not been entirely unresponsive to bloc overtures and would probably be reluctant to take an unequivocal stand against Communist-neutralist "peace" proposals.

Economic Conference

An Asian-African economic conference would appear to be particularly vulnerable to Communist exploitation. The first section of the Bandung conference communiqué was devoted to economic co-operation, which was described as an urgent requirement in the Asian-African region. Exchanges of experts, trainees and pilot projects on the basis of "mutual interest" were recommended. The communiqué also called for increased trade, collective action to stabilize prices of primary commodities, and exploitation of training facilities in the peaceful uses of atomic energy.

Communist representatives at any new conference can be expected to be armed with concrete proposals of economic and technical assistance and to press for the expansion of trade and cultural exchanges. Such a positive approach would undoubtedly appeal to many delegates and would effectively back up the bilateral approaches Moscow and Peiping are making in Asia. Af- 25X1  
rica and the Middle East.

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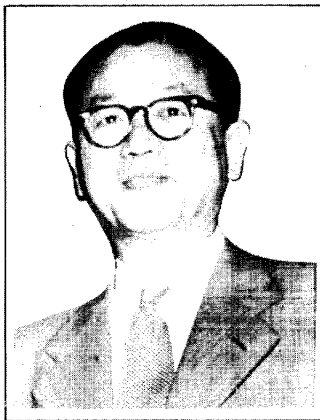
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## SOUTH KOREA

The unprecedented expression of opposition sentiment in South Korea's election on 15 May has resulted in an atmosphere of political instability. There is a possibility of a large-scale governmental and party shake-up. Serious violence was averted by Rhee's acknowledgment of Chang Myon's election as vice president, but the cabinet has resigned, citing the strong opposition showing as its reason.



CHANG MYON

There are indications that the extent of opposition strength came as a surprise to President Rhee. The American embassy reports that not until after the election was he shown a photograph of the Democratic Party rally of 3 May at which Sin Ik-hui addressed 150,000 persons outside Seoul. Rhee is reported to have excoriated his running mate, Liberal Party chairman Yi Ki-pung, charging him with responsibility for their poor showing. Rhee's displeasure with Yi may have

contributed to his willingness to accept Chang's election as vice president.

Political Changes

Rhee has already replaced his home minister, and other changes appear likely. While it is possible Rhee will offer certain posts to persons not affiliated with the Liberal Party, such gestures probably would not involve a formal coalition. Nonetheless, the strong showing by the Democratic Party appears to represent a long step in the direction of a two-party system in South Korea.

The advent of the Democratic Party in a position of power would be unlikely to affect South Korea's pro-American orientation, although party spokesmen in the campaign criticized the Rhee regime for placing sole reliance on the United States. The Democratic Party directed its attacks largely on the alleged corruption and excesses of the Rhee administration, appealing to sentiment for "a change." Democratic leaders also advocated a reduction in the powers of the executive and the improvement of relations with Japan.

Liberal Party leaders reportedly desire a thorough reform of their party, and have told Rhee that the loss of the vice presidency stemmed from poor living conditions and government corruption.

Certain officials have indicated a fear of intervention by the army if Liberal Party leadership further deteriorates. Although the army is not an

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active force in South Korean politics, its leaders generally have identified themselves with the Rhee administration and its objectives. Defense Minister Son has stated to the American chargé that the present situation is dangerous for both Rhee and Chang, and that assassination attempts might be made against either one. A Liberal Party official has observed that while neither the Liberal nor the Democratic Party would order the assassination of Rhee or Chang, an individual act of terrorism is possible.

The chances for political stability in South Korea may be dependent upon the future relationship between Rhee and Chang. The South Korean vice presidency at present is largely a

ceremonial post, and Rhee, who has charged Chang with Communist ties, is unlikely to increase Chang's prestige by delegating to him any major functions of government.

Although differences in philosophy between the Liberal and Democratic Parties are relatively minor, Chang stated during the campaign that his task as vice president would be to criticize as well as to advise. Recognition that Chang could succeed the 81-year-old Rhee will increase Chang's political following, and may destroy the monopoly of political power hitherto enjoyed by President Rhee. Chang's position might prompt Rhee to attempt to remove him from the succession, possibly by a constitutional amendment.

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## PART III

PATTERNS AND PERSPECTIVES

## THE BRITISH MILITARY POSITION IN THE INDIAN OCEAN AREA

London evidently views the new Ceylonese government's threat to evict Britain from its air and naval installations in Ceylon as a symptom of the advance of neutralism among Asian Commonwealth members. The British seem to think the military consequences of the loss of access to these installations during peacetime can be remedied. If Ceylon can be induced to increase its insignificant defense force, the British would consider this a net gain to the Commonwealth defense concept.

Ceylon Bases

Britain tends to regard the renewed threat to its bases in Ceylon as the almost inevitable outcome of problems left unsettled when Ceylon achieved independence in 1947. The Ceylon air and naval installations represent the remnant of a strategic position in South Asia which the United Kingdom has largely had to abandon in favor of its Commonwealth approach to regional defense.

The principal air installation still in commission is the Negombo airfield, near Colombo, which is classed by the British as a staging post on military air transport routes. Staffed by only a few Royal Air Force technical personnel, the field lacks up-to-date repair and maintenance facilities, and its 6,000-foot runway would require expansion for jet bomber operations. This post is operationally subordinate to Far East Air Force headquarters at Singapore.

The naval installations at Trincomalee, which are held by the British under a 999-year lease from the Ceylon government, represent a much larger investment than Negombo. Trincomalee is the headquarters of

the Royal Navy East Indies Station, which has one light cruiser and several escort vessels assigned to it. 25X1

Other British military installations in Ceylon, including the former Southeast Asia Command headquarters at Kandy, and various depots, camps, and storage areas, have largely been deactivated since World War II. British ground forces have long been withdrawn.

London's Policy

London has doubted the availability of the Ceylonese bases in wartime ever since it failed to reach written agreement in 1951 on implementation of the 1947 Anglo-Ceylonese defense agreement. Even at that time, the Ceylonese government was fearing a hostile public reaction to any explicit acceptance of continued British occupation. For reasons of economy as well, Britain has sought to reduce its dependence on these installations. The general British policy accordingly has been to encourage Ceylon--as well as India and Pakistan--to build as strong a military establishment as its resources allow, and to co-operate in Commonwealth defense planning.

Until very recently, the Ceylonese government has shown no inclination to build up its military establishment. Despite

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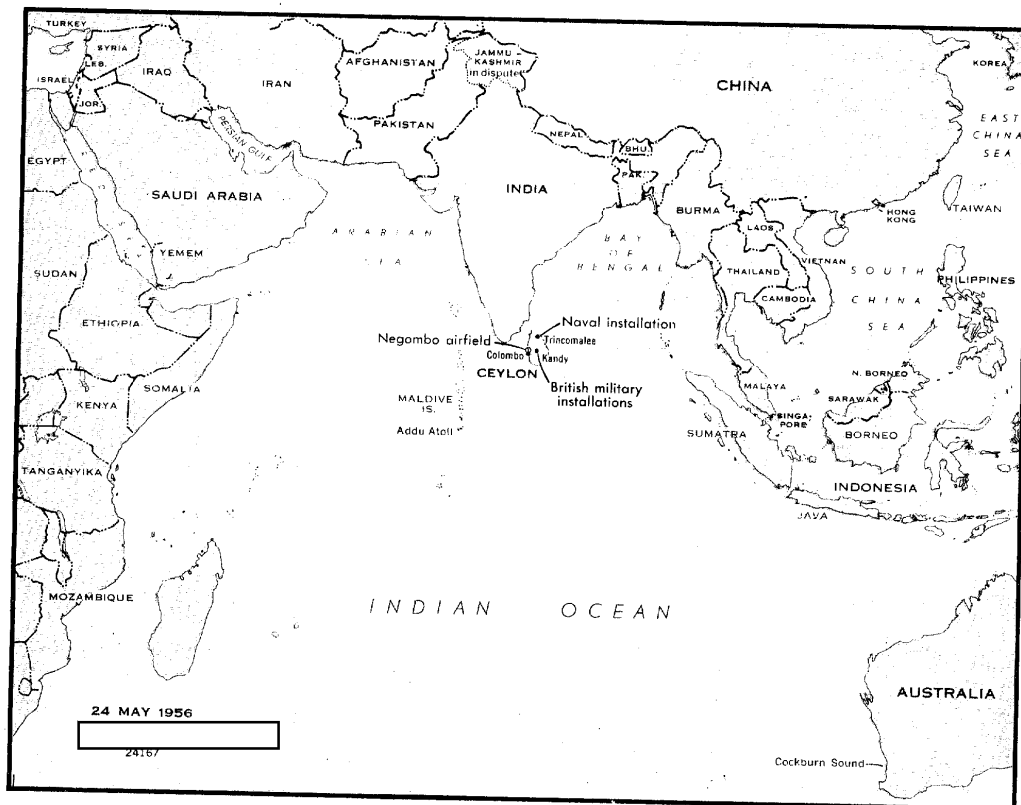
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British offers to make equipment and training facilities available to the Ceylonese government, the country's combined forces remain less than 4,000 men. Britain has meanwhile technically honored its commitment under the 1947 treaty and maintained token occupation of the air and naval bases in Ceylon with a near-minimum outlay of resources.

London evidently believes Prime Minister Bandaranaike will

undertake operation of the bases, with civilian labor costs to be met by Britain. Earlier, the Foreign Office indicated Britain would attempt to retain access to Trincomalee by relinquishing its "nonessential" installations on the island. London doubtless has received some encouragement from Bandaranaike's statement on 4 May that the departure of the remaining British forces from Ceylon will require some increase in Ceylon's forces.



wish to maintain some defense ties with Britain as a counterweight to the influence of India, which is reportedly already pressing Ceylon to permit it to participate in operation of the bases.

During his mid-April visit to Ceylon, First Sea Lord Mountbatten informally proposed to Bandaranaike that Ceylon

Alternates to Ceylon Bases

The British are exploring possible alternatives to maintaining their military position on Ceylon. London officials state they can obtain permission under existing agreements to route military air traffic through Pakistan and India if they have to relinquish the Negombo air field. As further

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insurance, the Royal Air Force is preparing to rehabilitate and expand an unused wartime airstrip on Addu Atoll in the Maldiv Islands some 700 miles southwest of Colombo. According to the Foreign Office, however, permission to start this project has yet to be obtained from the ruling sultan.

London is apparently resigned to losing access to Trincomalee. Such a loss would necessitate finding a new headquarters for the East Indies Station, which controls an area extending from the Persian Gulf to near Sumatra in the east, and south to 30 degrees south latitude.

An obvious alternative is Singapore, where the British military stake is far greater. Concern over the situation there, however, has recently become marked, and Britain, Australia, and New Zealand have all evinced interest in developing facilities elsewhere. Australian commentators have referred to New Guinea and Manus in the Admiralty Islands in this connection. Possibly having in mind a redistribution of naval responsibilities between Britain

and Australia, Mountbatten recently inspected Cockburn Sound, a deep-water harbor site on the west coast of Australia.

There is also reason to believe that Britain may revive the idea of an allied naval command in the Indian Ocean, possibly under SEATO. Royal Navy circles have long been interested in such a plan, and their past attitudes suggest that the United States would be invited to take part.

The British now believe that Bandaranaike will be able to resist pressure from his supporters for an even more thoroughgoing revision of Ceylon's relations with the Commonwealth and with the West. The Commonwealth Relations Office believes there is a chance the bases issue can be resolved amicably at the Commonwealth prime ministers' conference in June, presumably along the lines of Mountbatten's proposal for British financing. [redacted] 25X1

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**STATUS OF FOREIGN AID PROGRAMS IN AFGHANISTAN**

Afghanistan has moved rapidly to use the \$100,000,000 credit granted by the USSR during the visit of Soviet leaders Bulganin and Khrushchev last December. At the same time, Kabul has sought to emphasize its neutrality by showing increased receptivity to contact with the West, particularly the United States. Possible Afghan

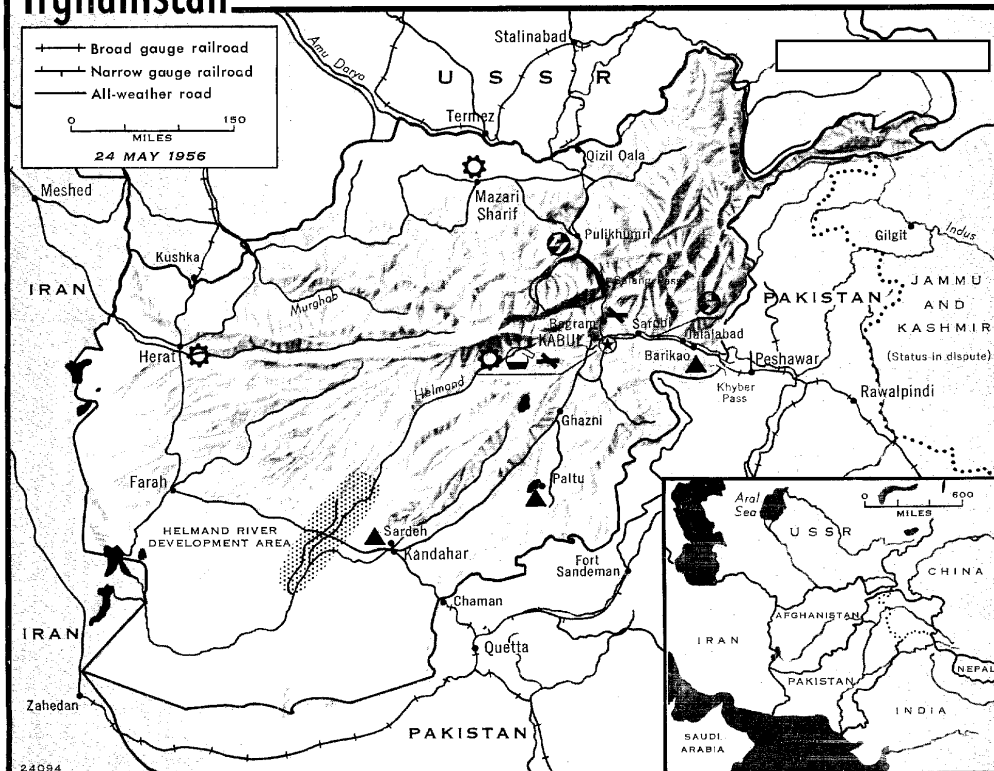
moves toward Western-supported Pakistan, however, are limited, in view of Prime Minister Daud's unswerving policy on Pushtoonistan. 25X1

Soviet Bloc Activities**SECRET**

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**Afghanistan**

PROBABLE LOCATION OF SOVIET PROJECTS  
UNDER THE 1 MARCH 1956 AGREEMENT

- ⊗ Hydroelectric station
- Hindu Kush road
- ⊙ Motor repair shop
- ⬢ Laboratory
- ✈ Airfield
- ▲ Irrigation dam

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Shortly after the departure of Bulganin and Khrushchev, top-level Soviet negotiators appeared in Kabul and Soviet survey teams fanned out across Afghanistan, visiting Jalalabad and Kandahar near the Pakistani border, among other places. Soviet advisers for the first time established themselves in an Afghan government office--the Ministry of Public Works.

An Afghan-Soviet project agreement signed on 1 March provides for reconstruction of the Kabul airport, development

of a new military airfield about 30 miles north of Kabul, construction of two electric power stations, three motor repair shops, a laboratory at Kabul, a fertilizer plant, a new road across the Hindu Kush Mountains, and three irrigation dams, one of which is reportedly about 30 miles from the Khyber Pass, strategic road passage to Pakistan. At least \$30,000,000 and perhaps \$60,000,000 of the \$100,000,000 credit is estimated to have already been committed for these projects.

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Kabul has used extensively the transit facilities through the USSR provided for in the agreement of June 1955. Shipments to and from West Germany, the Netherlands, the Scandinavian countries, Britain, Japan, India, and even the United States are apparently passing through Soviet bloc ports on the Black, Baltic and Japan Seas.

Czechoslovakia is reported to have offered a \$10,000,000 credit in addition to the \$5,000,000 previously extended. Prague reportedly has also sold Afghanistan more than \$10,000,000 worth of telephone equipment, of which about \$7,000,000 was on credit. East Germany is apparently offering a \$5,000,000 credit and pushing hard for diplomatic recognition in return. Trade missions from Poland, East Germany, and other satellites are reported en route to Kabul, and Czech technicians have been replacing the West German engineers employed by the Afghan government.

Attitude Toward United States

Meanwhile, Kabul has sought to demonstrate that it still wants to do business with the United States.

King Zahir Shah made a special tour of the Helmand Valley project being constructed by the American Morrison-Knudsen Company in March and lavished praise on the work. Prime Minister Daud welcomed the American offer to assist in developing Afghanistan's aviation and promised his personal co-operation to see that it was implemented. Foreign Minister Naima acceded to an American request that 200 American International Harvester trucks which were to be shipped through the USSR be allowed to pass through Pakistan.

The most striking overture to the United States was the request by the chief of staff of the Afghan army early in May that some of his officers be trained in American military schools and that the United States attempt to get Turkey to train more Afghan officers than the 70 to 80 now there.

Daud's Policy

These overtures are part of Daud's policy of working both sides of the street--a game which he views as insurance for Afghanistan's continued independence. As long as Daud remains solidly in control of Afghanistan, he may be expected to persevere in his policy, which has produced impressive results in the past five months.

Daud's freedom of action is limited by two factors. The first is the relatively narrow field within which he can promote competition between the United States and the USSR as a result of Afghanistan's present close relationship with the USSR.

Daud encountered this problem in regard to an American offer of \$10,000,000 for aviation development. He first suggested that the United States co-operate with the USSR in building the Kabul airport, which he had already committed "in principle" to the Soviet Union. The Russians, he suggested, might build the runways and the United States might install the communications equipment. However, when negotiations got under way, he backed off and said the Kabul airport project must be withheld from both sides for the time being.

The second limiting factor is Daud's anti-Pakistani policy, which makes impossible the development of additional ties with the West through US-financed regional co-operation

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projects involving both countries. The Afghan government probably also fears that Pakistani president Mirza might instigate a tribal uprising against the Daud government, and Kabul is unlikely to come to any significant understanding with Mirza during his scheduled visit to Kabul in mid-June.

Daud is probably hoping for massive American aid to match what he has accepted from the USSR. He probably also wants the United States' political support--or at least

neutrality--in regard to Pakistan. However, he would probably settle for something less--especially if he thought it would serve as a sort of "insurance policy" against the day when the USSR might attempt to make political capital out of its economic investment.

The hard bargaining with the United States which the Afghans are presently engaging in on the air development proposal indicates they are not yet desperate for such an arrangement.

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**SOVIET POLICY IN THE ARAB-ISRAELI SITUATION 1955-1956**

The USSR achieved an influential voice in Near and Middle Eastern affairs during the past year by promoting a de facto alliance with the Egyptian-led Arab states through sales of arms to Egypt and Syria. The Soviet Union further succeeded in raising additional obstacles to the expansion of the Baghdad pact and undermining the 1950 US-British-French tripartite agreement, the outstanding symbol of Western influence in the Near and Middle East.

**Early Soviet Moves**

In early 1955, with the West rapidly closing the gaps in the "northern tier" along the USSR's southern border, the USSR began to apply new policies to the Arab states, where Great Britain and France were

finding it increasingly difficult to cope with the demands of rising nationalism. Following World War II, the French withdrawal from Syria and Lebanon, the British exit from a divided Palestine and from Suez, and revolution and counterrevolution in Iran severely damaged the position of the West in the Middle East.

In a Soviet Foreign Ministry statement on 16 April 1955, Moscow indicated that it considered the area of vital interest to Soviet security.

**The Role of Egypt**

Moscow directed its new policies mainly at Egypt, which among the Arab states appeared to have the greatest potential for leadership. The USSR's willingness to supply

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Premier Nasr with arms gave new hope to the Arabs in their cause against Israel and enhanced the prestige of Nasr and the Revolutionary Command within Egypt and in neighboring Arab and North African states.

The Russians have apparently not attempted to attach political strings to their arms and economic deals. They have agreed to take surplus cotton and other commodities instead of hard currency in exchange for military equipment and have punctiliously carried out agreements.

The USSR reportedly has been in close contact with Premier Nasr concerning its activity in the Sudan and Libya, apparently in an attempt to allay any Egyptian suspicion that Moscow might be trying to encroach on what Cairo considers its sphere of influence. Moscow has cooperated with the Arabs in the United Nations, and is reported to have given Nasr general reassurances of its plans for policy-making moves involving the Western powers.

Recent Developments

Soviet actions during April 1956 indicated that the USSR does not intend to encourage the Arabs to wage open warfare with the Israelis, at least for the present. Both the Soviet Foreign Ministry statement on 17 April, mentioning Israel on a par with the Arab states, and the Anglo-Soviet statement on 26 April, calling for a solution acceptable to both sides, served to dampen the hopes in those Arab circles which believed the USSR would give all-out support to the Arabs against

Israel. Moscow may believe that an outbreak of full-scale hostilities could cause Western intervention which would threaten the achievements of Soviet policy during the past year.

Despite these statements in April, however, it is unlikely that the level of Soviet-Arab co-operation established over the past year has been permanently reduced.

Moscow has repeatedly made it clear that it would consider any interference in Middle Eastern affairs by the Western tripartite powers as "inadmissible" and "illegal." The Arab states have long put forward the same view.

Soviet Negotiation Efforts

In the recent Anglo-Soviet talks, the USSR obtained agreement by Great Britain to restrict its efforts to deal with the Arab-Israeli dispute--at least temporarily--to the United Nations Security Council and gained an official British admission that the USSR has a direct interest in the Arab-Israeli situation and in the Middle East generally.

An ultimate Soviet aim probably is to convene a special conference on the entire problem of the Middle East with the participation of the great powers and the states of the area. Moscow might insist during the Security Council discussions that neither the USSR nor the Egyptian bloc can agree to a settlement with Israel except in the context of an area-wide agreement.

Khrushchev told British foreign minister Selwyn Lloyd on 21 April that as long as

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Britain supports the Baghdad pact, it must expect the USSR to take such measures as arms sales to Yemen to cause maximum annoyance to Britain. He later told the press that the USSR would be willing to join in a UN embargo on arms shipments anywhere in the world.

Moscow probably does not believe the United States and Britain are prepared to make concessions on the Baghdad pact even in exchange for a Soviet promise to stop shipments of arms to the Arab states. It probably believes negotiations would afford the USSR an excellent opportunity to curry favor with France--which is opposed to expanding the Baghdad pact--and to pose as the champion of the Arab cause against the West and Israel. Soviet maneuverability in the

UN, particularly regarding an arms embargo to the Middle East, will probably be considerably enhanced by Egypt's decision to assure itself of a continued arms supply by reaching an agreement with Communist China.

**The Northern Tier**

Having stalemated further development of the Baghdad pact by its successes to the south, Moscow probably will rely primarily on further economic and diplomatic moves toward the northern tier states to undercut the pact. Since the first of the year, Moscow has been pressing the argument in approaching these states that the Soviet threat has disappeared and that to arm now is a useless drain on national treasuries.

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